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EPZ HISTORY IN BANGLADESH AND ITS ADMINISTRATION AND LEGISLATION FOR ECONOMIC ENCLAVE

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ABSTRACT

This paper explores the EPZ history in Bangladesh and its legislative structure for operation. This study has explored the contribution of establishing EPZ in Bangladesh and how much does it contribute to country's economy in terms of employment, export and investment. GDP yearly growth rate is used as a dependent variable. To what extent EPZs and DEPZ are playing in the context of economic acceleration is as independent variable. Time series data are analyzed using Excel windows and using SPSS 11.5 widows for analyzing regression to find out the association and effect of other variables to measure economic acceleration through EPZ and DEPZ contribution in terms of investment, export and employment. In-depth interview results of this study has identified some of areas where to give more emphasis for the DEPZ factories growth as well enhanced labor-management relationship and policy recommendations for further development of economic zones.

Keywords: *Bangladesh, BEPZA, EPZ-DEPZ, Employment, Export, Investment*

1. INTRODUCTION

Export Processing Zones (EPZs) have become an important factor for economic enclaves particularly in employment generation, export diversification and investment creation. One of the important objectives of Industrial Policy of Bangladesh is to employment creation and to expand investment in export-oriented industries. In continuing to that policy, EPZ is playing as a prime role as an economic instruments for attracting foreign direct investment, employment, foreign exchange earning and technology transfer. In the age of globalization the concept of EPZ has become more significance for economic growth. Result reveals that EPZ in all over the country has a dramatic increasing trend from 1975 with 25 countries and the numbers of EPZs were 79, now 2003 it has covered 116 countries that covered more than 3000 zones. As a result 42.0 million are employed within those zones (Agarwal, 2005).

Geographically, politically and economically, in 1971 Bangladesh has got an independent and it covers 144,000 square kilometers and has a population of about 150 million with a density of 953 persons per square kilometer (HDI, UNDP Report, 2008). Bangladesh had to face the challenges , as a result, its economy has been diversified with limited resource and rapidly growing population. After the independence, the turbulent political environment military administration coups in 1975, 1981 and 1982, during this period there was a little attraction of foreign investors. Moreover, natural disaster visited Bangladesh in 1970s and 1980s. Bangladesh is declared as a poorest and least developed country in Asia by World Bank. Over the last three decades, Bangladesh economy has been changed gradually. Agriculture sectors contribution has steadily declining, and manufacturing sector has been rising. Even though, garments sector has become the prior sector for export

earning and employment generation. Apart from this, EPZs has playing a pioneer role for attracting foreign direct investment. From the past, Bangladesh economic development can be categorized into three phase, those are 1972-1978, 1979-1990 and 1991 until now (Hossain & Cheng, 2005).

In this circumstances, Bangladesh is late starter in the process of liberalization, particularly after 1990s, it's opening up the economy with attendant liberalization of the trade regime (GOB, the fifth five year plan, 1997-2002). This trade liberalization geared up the country's economic condition like as export, employment, investment and boomed the private sector for economic development. Apart from welcoming private sector, Government had taken initiative to welcome foreign investor with incentive. Finally, Government had taken a decision to emerged capital investment in Export Processing Zone in the name of industrial development. The first zone in Bangladesh was set up in Southern part of Bangladesh in Chittagong in 1983 (Table 1). After reviewing the tremendous success of that zone, Government had decided to establish the second one at Dhaka in 1993. Significant promotional investments were made through these two zones by setting up a large number of small and medium sizes of industrial units. The zone has increased in number 8 including Chittagong and Dhaka (Table 1).

Table 1: EPZs in Bangladesh

Name Of Zone	Year Of Establishment	No. Of Plot
Chittagong	1983	454
Dhaka	1993	388
Mogla	2000	162
Comilla	2001	208
Ishwardi	2001	166
Uttara	2001	155
Adamjee	2005	200
Karnaphuli	2005	100
Feni EPZ	-	-
Meghna EPZ	-	-

Source: BEPZA, and had a telephonic information from Manager, Paddocks Jeans, 17 June, 2009.

Bangladesh has full of easily trainable and relatively low wage level human resources (GOB, 1998, the fifth five year plan, 1997-2002). UNDP reports, Bangladesh ranked is 140 and index is 0.547, where per capital GDP is 2053 US$, population growth rate is 1.6 and the adult literacy rate is 47.5 per cent (UNDP, 2008). Labor is cheap and available in the labor market. Besides this, Bangladesh has a good transport communication includes with sea port. Bangladesh is not the unique one, where investors are investing. Eventually, investors are also investing Vietnam, Malaysia, and India and so on. During 2006 May, EPZ industries are facing many difficulties specially unrest off and on (Eusuf et al., 2007). More over, unanimously EPZ industries are facing with inequality wage system and employment relationship. Nevertheless, collecting bargaining, trade union for worker welfare and worker compliance is overlooked by the investors, employer and from the policy implementation body (The Daily Star, May 2006, Dhaka; Eusuf, Faruque and Rahman, 2007). The unrest issues need to address wage levels set by the official rules, not determined by the wage at the market level. Worker is being exploited by the employer (Zohir, 2001; Hossain, 2002; ILO 2003).

In respect to Compare to Industrial Policy of Bangladesh (Industrial Policy, 2005), investing in EPZ has significant effect on foreign direct investment as well economic development regards to employment generation. Even though, the significant shift in economic, political, social and technological environment need to increase capability to adjust with new challenges. Good practices of management, political stability, and congenial working environment is required for attracting foreign investors. As other countries are playing role for attracting investors to invest their host country, it's the challenges for Bangladesh to invite investors (Harigopal, 2001).

The concept of EPZ is an economic enclave, free trade, foreign investment, exchanges of goods and manufactured with a reduction in duties and or minimal intervention by custom official (World Bank, 1999). Many developing countries have taken this concept since, 1960 for promoting industrialization (Amirahmadi, H., Wu W., 1995). Bangladesh has joined in EPZ popular territory in the 80s. In particular, Dowla (1997) had shown in his paper there is a positive impact on establishing Chittagong EPZ in employment generation. This study found that there were 85% of female worker and most of them are floor worker, whereas male are account for administrator, managers, accountants. This survey study also found in Chittagong EPZ, there is poor labor management relationship; trade union for the worker welfare is forbidden. In Dhaka Export Processing Zone (DEPZ), Zohir study (2007) has identified some of the issues those are trade union allowed outside EPZ not inside EPZ, worker facilities like transport is inadequate, female workers are facing sexual harassment by their colleague, and labor law as a safeguard for the worker is not practiced enough. More female workers are in garment industry rather than other type of industries. According to Jayanthakumaran, (2002) has published a study which says that cost benefit analysis suggested that EPZ had a positive economic impact for citizen of host country. However later no Amirahmadi et al., (1995) argued that there are listed researches done to explore why EPZ has become more attractive policy for developing country. Findings suggested that the impact of EPZ is largely on economic and mostly in employment generation (Eusuf et al, 2007; Aggarwal, 2005). Some studies have been carried out regarding DEPZ in terms of empowerment, workers socio-economic status, Foreign Direct (FDI) issues, gender balance in EPZ and country comparative study on export processing zones. This study will be a unique study towards total performance of EPZ-DEPZ in terms of investment, export and employment respectively towards economic growth.

Therefore, the specific objectives of this study are to identify the trend of investment, identify the scope of employment and to review the export trend on economic contribution of EPZs and DEPZ and to identify the weaknesses and suggest some recommendations for the future growth of EPZ performance.

2. LEGISLATIONS FRAMEWORK OF EPZS

Basically the idea of establishing EPZ in Bangladesh has started in 1976 by an inter-ministerial committee, in continuation of this meeting probable locations consulted and visited in 1978 and finally Government of Bangladesh (GOB) decided to set up the first EPZ in northern part (Chittagong) of Bangladesh (Eusuf M.A., et al.,2007). After that many questions were arisen for looking after the matter related to foreign investors, administration, land acquisition, operation and so on. After a thread bare discussion and consultation, GOB established the Bangladesh Export Processing Zone Authority (BEPZA), as an autonomous body (Act 1980), under the direct supervision of Prime Minister's Office (PMO). The objectives of Zones Authority were: to foster and generate economic development of Bangladesh by encouraging and promoting foreign investment in the Zones; to diversify the sources of foreign exchange earnings by increasing zones; to foster the establishment and development of industries and commercial enterprises in zones in order to strengthen the Bangladesh economy and to generate employment opportunity and to update labor management skills through advanced technology (APO, 2000).

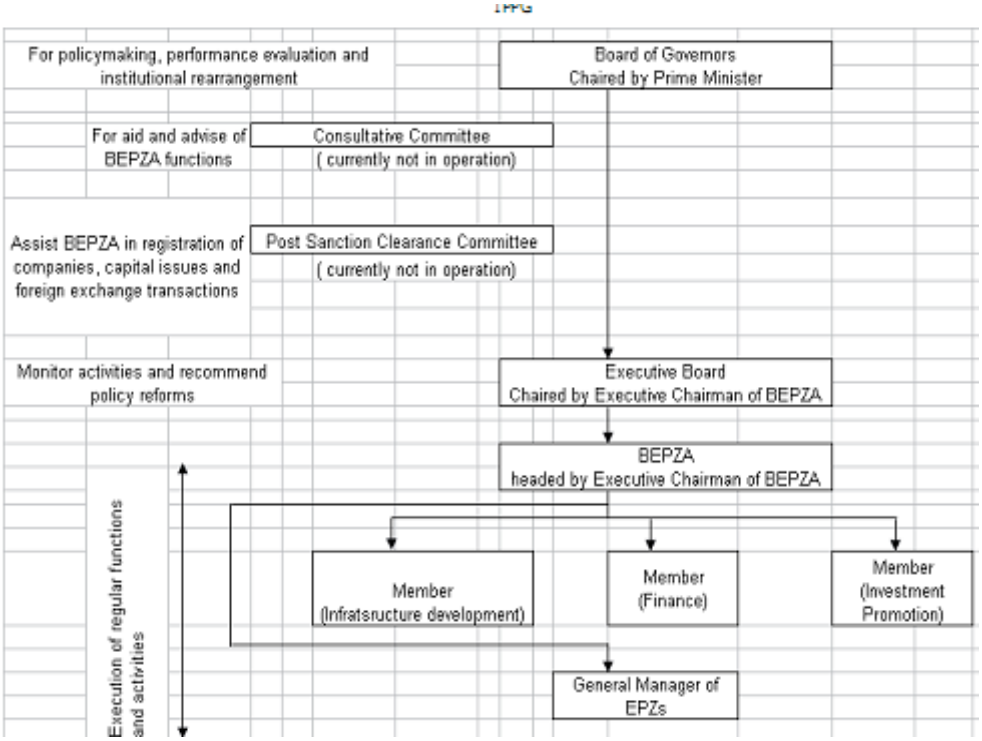
2.1 Major Role and Function of BEPZA

Bangladesh Government has adopted an 'Open Door Policy' to attract foreign direct investment through industrialization in order to stimulate country's economic growth. To understand the potential investors and find out a congenial atmosphere for investment and to monitor them for ensuring economic and management performance by which promotion of FDI and local investment; export diversification; developing forward-backward linkages; employment generation; transferring technology; skill up-gradation and management development. To make sure all those role and responsibility, BEPZA has given a functional authority and formal organ-structure. The major functions (Eusuf *et al*., 2007) of BEPZA are: (i) Function related to infrastructure, basic services (electricity, gas, water, telephone, banking etc.) and customer related support; (ii) Assistance in performing the procedures for setting up industries and also the setting up of principles for preferential industries; (iii) Undertaking promotional steps to attract foreign, as well as local investment; and (iv) Working with companies to reform and readjust the services as necessary.

Management: BEPZA managed by two-tier of administration. One is Board of Governs that is consists of 19 members Headed by Prime Minister/Chief Advisor along with Finance, Commerce, Shipping, Industries, Energy and Home Secretary, Governor Bangladesh Bank (Central Bank), Principal Secretary of Prime Minister Office, Secretary to Prime Minister/Chief Advisor, Executive Chairman Board of Investment, Chairman National Board of Revenue and concern Secretaries are the members; BEPZA Executive Chairman is the Member Secretary of the Board of Governors. The Board of Governors are the authority for policy making at national level required for setting up, development and operation of Export Processing Zones in the country.

On the other hand, second tier is the Executive Board (**figure 1**). The Executive Board consists of three members. BEPZA Executive Chairman is the Chairman, and three members are: (1) Member Investment and Promotion (IP); (2) Member (Finance) and (3) Member (Engineering). This body is responsible for execute the order taken through Board of Governors. Apart from this, the Executive Board takes the decisions as required for day-to-day operation by the authority. Moreover, Every Zone is headed by General Manager/Project Director who is responsible for managing and providing all kind of cooperation and support to the investors of the concern zone.

Figure 1: Executive structure of BEPZA


For policymaking, performance evaluation and institutional rearrangement
Board of Governors
Chaired by Prime Minister
For aid and advise of BEPZA functions
Consultative Committee
(currently not in operation)
Assist BEPZA in registration of companies, capital issues and foreign exchange transactions
Post Sanction Clearance Committee
(currently not in operation)
Monitor activities and recommend policy reforms
Executive Board
Chaired by Executive Chairman of BEPZA
BEPZA
headed by Executive Chairman of BEPZA
Execution of regular functions and activities
Member
(Infratsructure development)
Member
(Finance)
Member
(Investment Promotion)
General Manager of EPZs

Source: IPPG, Briefing Paper, No. 10, 2007. ippg.org.uk (Adopted)

BEPZA Policy: BEPZA policy is a foremost inconsistency with Bangladesh industrial policy. Industrial policy encourages agro-based industry, where as BEPZA policy does not given the priority of that kind of industry. Still, Bangladesh economy is concern with agriculture, agricultural sector is playing principle role in socio-economic activities. In FY 2004-2005 (the contribution of agricultural sector to GDP was about 21.91% (Economic Review, 2005) and 51.7% labor force are engaged in agricultural sector. whilst under the industrial policy the investors are not getting incentive like tax holiday, duty free import construction materials and machines, relief from double taxation and exempted from dividend tax are getting privilege those enterprises under the umbrella of BEPZA policy. EPZ are not having labor unionization welfare culture within the zones, as a result labor are depriving from their bargaining right, that creates to some extend unrest and unsteady climate in the enterprises (Hossain, 2002; Zohir, 2001; Eusuf, 2007). At the long run it affect on foreign direct investment. For example, the UNCTAD, 2007 reported that Bangladesh has decreased/lost 16% FDI compare to

previous year. UNCTAD report has also reported that it has happened because of instability political situation (The Daily Stat, 25 September, 2008, Dhaka, Bangladesh, UNCTAD, 2007).

Why Investors are investing in Bangladesh EPZs

Strategy Concession: EPZ policy was implemented to promote export oriented FDI in export regime. And the Act of BEPZA (1980) was created for fostering economic development through diversified earning sources. And to generate employment opportunity, update labor standard through technology acquisition. Attracting FDI, Bangladesh offered significant packages for investors like fiscal, non-fiscal incentives, infrastructure facility and support services for investors. Moreover, some supplementary incentives are announced for setting up zones in backward regions. For example, 50% subsidy is given for land and factory rent, even though 30% cash incentive has been offered for agro-based industries backward zones like Uttara, Mongla and Eshwardi (Aggarwal, 2005). Table 2 is shown in brief, the list of incentives and other facilities are given for zones to the investors.

Table 2: Incentives and other facilities for investors

Fiscal incentives	Non-fiscal incentives	Facility (infrastructure)	Support services
(a)Tax holidays for 10 years along with reduced rate for next 5 years. (b) Constructions material, machinery, spare parts, equipment import are duty free. (c) Duty free export and import. (d) Subject to bilateral agreement double taxation is relief. (e) Foreign nationals are exemption from dividend tax on holiday. (f) Available of GSP facility. (g) Duty free import of 3 vehicles for using enterprises. (h) Expatriates exempted from income tax on salary for 3 years. (i) Accelerating depreciation on machineries or plants are allowed. (j) Remittance of royalty, technical and consultancy fees are allowed. (k) Duty and quota free access to EU Canada, Norway, Australia, USA and etc. is under process. (l) Exemption of income tax on interest on borrowed capital.	(a) Investment is protected under Foreign Private Investment Act, 1980. (b) 100% foreign ownership is permissible. (c) Enjoy Most Favoured Nation (MFN) status to USA. (d) There is no ceiling for foreign or local investment. (e) Non resident foreign Currency Deposit Account is permitted. (f) Foreign currency loan from abroad having under direct automatic route. (g) FC account for 'B' and 'C' type industries is allowed.	(a) Ensure basis infrastructure like: electricity, Gas, Water, Road, Telecommunication and Internet. (b) Plots with 2000 sqm are available. (c) Rental basis factory buildings are available. (d) Day care centre and workers dormitory are enclave. (e) Warehouses are available. (f) ***Business communication support service like:*** Courier, offshore Bank, Police Station, Fire Station, Post Office, customs office, Shipping Agent etc. are having around zones. ***Administrative support service:*** Health club, Investors club, Medical centre, Shopping centre, Green area, Sports complex, School & College, Expatriate accommodation are available.	(a) One window service. (b) Import-Export permit issued within the same day on zone premises. (c) No Renewal of Bond license is required. (d) Work permit issued by BEPZA. (e) Secured & protected bonded area. (f) Back to Back L/C. (g) 10% sale to DTA (Domestic Tariff Area). (h) Custom clearance at factory gate. (i) Relocation of foreign industries allowed. (j) Sub-contracting with export oriented industries inside and outside EPZ allowed. (k) Residentship and citizenship for the foreign investors. (l) Simplified and hassle-free sanction procedure. (m) Import form DTA is allowed. (n) Import on Documentary Acceptance (DA) is allowed. (o) Easily available & trainable workforce. (p) Recreational facilities.

Source: BEPZA, New Horizon for Investors.

3. METHODOLOGY

Sample

For this survey, a simple random sampling method was used to choose 12 top executives form different level of DEPZ enterprises. 12 top executive were interviewed. 53 enterprises were randomly selected for this study to know their revenue earning in respected of 2005 and 2006 financial year.

For this study, the investment, export and employment data were used from deferent secondary sources. GDP growth rate data were taken from Bangladesh Economic Review, Ministry of Finance Government of Bangladesh.

The randomly selected 53 DEPZ manufacturing factories profile are described in Table 3, Table contain with revenue volume in respect to 2005 and 2007.

Table 3: Enterprises profile

Company	2005 (rev) $	2007 (rev) $	% of Change
A-one BD ltd	122106.9	120709.7	-58%
Cherry Intimate ltd	118880.2	118298.6	-25%
Daeyu BD ltd	117556.9	118408.1	36%
Dong Bang Facilities BD ltd	119213.8	119595.1	16%
FCI BD ltd	119803	120650	35%
Gold Tex Garments ltd	121112	120686	-18%
Honorway Textile ltd	120088.9	120604.9	16%
Goldtex ltd	120730	121416	28%
Hop Lun BD ltd	121966.7	122379.6	35%
Ju Hyung Ins.co. ltd	121851.8	123152.6	-18%
Juksan BD ltd	124363.3	125708.6	21%
Lenny Fashion ltd	127042.7	128032.2	28%
LSI Ind. Ltd	128601.1	130137.1	17%
Mee Tick Hanger ltd	131669	131046.6	53%
Mainett BD ltd	130346.4	131026.2	54%
Quee South Text.	131231.7	132269.5	39%
Red point	133047.6	134741.7	59%
Ring Shine Tex. Ltd	136253.2	136983.3	-24%
Satexco ltd	137045.1	138473.3	26%
Savar Dying	139780	139999.2	39%
Savar Sportwear	140375	141396.6	63%
Swan Interlining ltd.	141909.8	143211.1	27%
YKK Bd ltd.	144418.7	141731.3	52%
Young A Tex.	132422.3	134372.2	8%
South China Bleaching & Dying	136417.9	136346.4	36%
Welform Apparels ltd.	135009.8	136197.2	45%
Savar Ind. Pvt ltd	138131.8	139253	-95%
SG wicus BD ltd.	139740.8	141279.9	73%
Teesta High Fashion	142648.1	143613	-3%
Company	2005 (rev) $	2007 (rev) $	% of Change
Young Hi-Tech	144671	138435.3	44%
Zong sine Tex.	129005.6	130871.4	40%
Dhakarea Ltd.	132696.4	133441.7	54%

Hyopship co. ltd.	132271.3	134837.1	34%
Alliance Stiches	137363.5	135839.4	-22%
Beximco Fashion lltd	132322.1	130301	71%
Helicon Sweater ltd	124309.4	125918.2	28%
Dhaka Beiging & weaving Inds.	126562.9	127325.4	95%
Ten Cate Permess	126651.2	126743.2	-56%
SBC Garments	100007.9	102477.2	-78%
Shepherd Textile	104428.1	105407	64%
Alfa Pattern	104939.6	103771.8	30%
Featherlite	102495.6	104645.4	4%
Grameen Knitwear	104208.2	103041.9	12%
KBC Chemical ltd	102444	100312.4	46%
Softex Sweater	96018.61	98349.12	-56%
Shanta Denims	100476.6	103751.7	10%
Shanta Industries ltd	107205.4	98990.38	-57%
Texas Fashion	97428.75	98335.91	-10%
Shasha Denims	99859.5	99432.78	11%
Shine Fashion ltd	104863.1	102286.4	15%
Texas dyes	114000.8	106011	-41%
Vetex Fashion	75535	95796.67	46%
Osman Interlining	130400	142300	-21%

[% change = (present year-base year)*(0.5)/present year*100]

Respondents' profile: From the in-depth interview the respondents profile is shown in the following Table 5. The respondents were male and all of them are with good working experience. According to age distribution of the respondents found that most of the top executives are above 40 years of old. This revealed that executive in DEPZ enterprises are with well experienced and having a significant length of service record. The following Table 4 shows the respondent profile.

Table 4: Respondents' profiles for in-depth interviews

	Respondent Position	Working experience in current organisation	Age & Education
1.	DGM	15	40+
2.	Manager (Admin & Import)	7	41
3.	GM	2	50
4.	AGM	12	44
5.	AGM	10	40
6.	DGM	6	40
7.	DGM	5	42
8.	Manager (HR)	5	36
9.	Manager	7	37
10.	Manager	12	42
11.	Manager	7	44
12.	Manager	5	45

*GM-General Manager **DGM-Deputy General Manager ***AGM-Assistant General Manager

Calculation

This study is considered for the analysis contains with three variables. These variables are export, investment and employment. These three variables are considered as an economic acceleration for Bangladesh economy.

Based on the variables that influenced Bangladesh economy, we formulated our model in the following equation.

BDEOC:={DEPZ Inv, Ex, Emp % of EPZs)

Where:

BDEOC=Bangladesh Economy (Growth rate of GDP at constraint price %)

Inv=Investment

Ex=Export

Emp=Employment

The data has been taken for this study from 1983 to 2007 on annual basis for investment as national and EPZs. Similarly, export data has been taken from 1990 to 2007, total export from Bangladesh and export from EPZs. Finally, employment data have been taken from 1983 to 2008 according to national employment and exclusive EPZs employment. On the same independent variables, data have been taken for DEPZ in respect of investment, export and employment from 1995 to 2007. The data used in this study are collected from various sources such as Statistical year book of Bangladesh, Economic Review of Bangladesh, Bangladesh Bank, Board of Investment (BOI), Export Promotion Bureau, Labor Productivity survey, Books, Periodicals, Published and unpublished Articles, BEPZA Bulletin, and Internet. Basically, this study used the secondary database analysis technique for measuring the performance of EPZs and future direction of EPZs in Bangladesh. The data were analyzed by using statistical software SPSS 11.5. Moreover, data were analyzed by using Excel software.

Measurement

Investment: Investment year wise data for EPZ, DEPZ and total investment (local and foreign) are used for the analysis of this study. Annual investment is measured as indicator for Bangladesh economic condition (Hossain & Cheng, 2005; Jayanthakumaran, 2003; Gopalakrishnan, S. (2007).

Export: Export volume data are used as fiscal year wise from EPZ, DEPZ, and Bangladesh total export for the analysis of this study (Hossain & Cheng, 2005; Gopalakrishnan, S. (2007),).

Employment: In this study, employment data has been used for analysis trend from EPZ and DEPZ Employment data has taken from 1983 to 2007 and DEPZ employment data has taken from 1993 to 2007(Narayana, 2007).

Result and Discussion on EPZ-DEPZ contribution in Investment, Export and Employment

Investment

In Proactive economic development, a major paradigm shift has been happened towards industrialization in the past democratic government. Bangladesh is welcomed to host private investment both local and foreign. This open and cordial invitation made Bangladesh a competitive destination for Foreign Direct Investment (FDI). During FY2004-05, private investment registration at Board of Investment (BOI) went by 16%. Simultaneously, actual FDI inflow during CY2004 grew to US$ 660.8 million implying 49.7% (Bangladesh Economic Review, 2005).

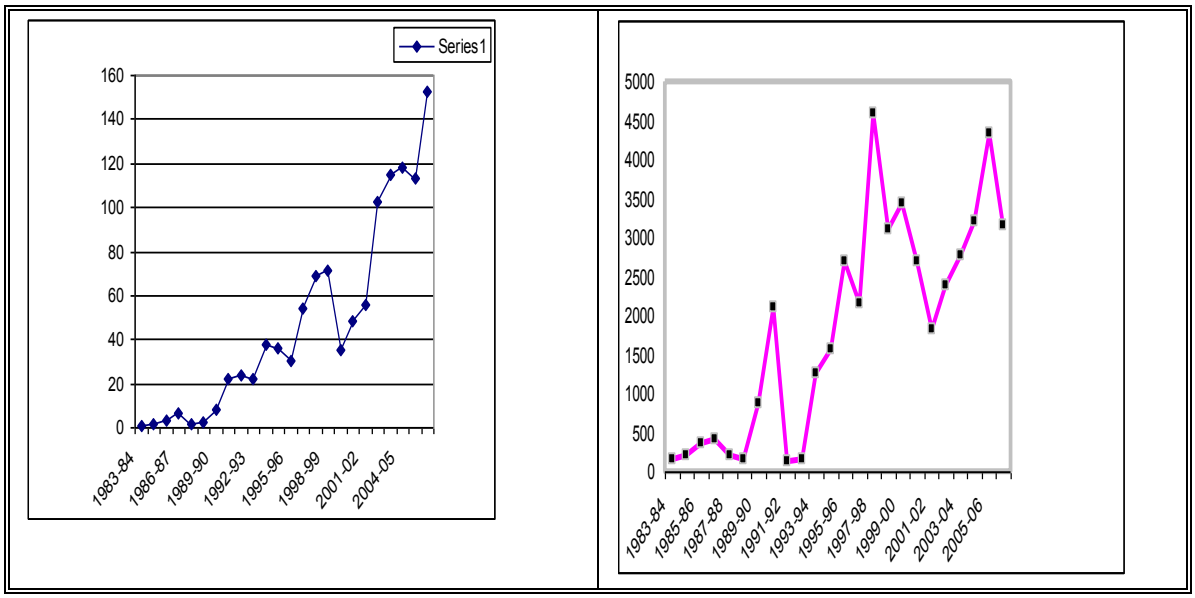
In Bangladesh, investment has to be within EPZ or outside of EPZ. Board of Investment (BOI) registered either BEPZA for investing in EPZ or with in case of local and foreign investment within country, but outside of EPZ.

From 1983 to January 2008 investment in EPZs reached 154.34 $ million. The investment is gradually increasing (Figure 4.1). In 1999-2000 the investment went worse because of political unrest, it was due to strike. It further rose from 2002 and on ward.

From the graph, EPZ investment up to ‘90s was very steady and very low in volume, it was because at that time there was one EPZ in Chittagong. After ’90 the volume went gradually up to ’99. And felt down suddenly in 2000. After 2000 and onward the trend the upward increased trend was found, because numbers of Zone were increased into eight.

On the other hand, national investment figure (4.1) shown that there were a steadily movement in investment in local and foreign enterprises up to '90s. After '90s the investment volume went up gradually because of country economy was 'open-up'. And the FDI was given incentives. From 2000 and up to 2003 the investment volume was not satisfactory, but 2004 the scenario investment shown upward trend.

Figure 2: National and EPZ investment



Country Daily News Paper reported (The daily Shomokal, dated 25th September, 08) that because of political instability, investors are not showing their interest to invest in Bangladesh. As a result, UNCTAD report 2007 says, 16% of FDI has decreased from previous year. The total FDI in the year 2006 was 79.30 million US $, it was came down to 66.60 million US$ in the year of 2007 (UNCTAD, 2007).

Presently, 264 up to June, 2007 (Bangladesh Economic Review, 2008) industrial units are in operation in Export Processing Zones of Bangladesh. Investors are from 33 different countries (Barua, 2008) along with Japan, Korea, Hong Kong, Thailand, Taiwan, China, USA, UK, Ireland, Germany, Malaysia, Indonesia, France, Singapore, Italy, Sweden, UEA, India, Nepal and Pakistan have invested in DEPZ.

The cumulative investment in EPZs up to January, 2008 is US$ 1286.60 million (Barua, 2008. Among the foreign investors South Korea is in the top of the list, followed by China, Japan, India, USA, UK, Taiwan, Malaysia respectively. By looking at the country export performance, during the fiscal year 2006-2007 goods worth of US$ 13,903.47 million were exported from Export Processing Zones. During the current fiscal year 2007-2008, in the first half year goods worth has been exported which is 51% of the targeted amount. EPZs performance is not only in export, it has a great achievement in employment generation.

Export

Manufactured exports from EPZs have register in Board of Investment since 1983. In 1983-84 exports had risen to 0.16 US$ million. It was about 48 million in FY 1990-1991 and the volume was increased gradually up to 288.26 million in FY 194-95. Table (4.2, 4.3) shows the EPZs in Bangladesh are gradually upward moving towards the share of national export. The contribution of EPZs to national exports increased from 2.69 in 1990-91 to 8.68 in 1995-96. The trend EPZs contribution in the national export is still upward 16.51% in 2000-01 to 17.44% in 2005-06. Form the export data table it is clear that Bangladesh has benefited tremendously from the export earnings are concerned. This trend is enough to support development of EPZ in Bangladesh. This sharply increased figure is proven the foreign exchange which is badly needed to accelerate the pace of economic development in Bangladesh.

Figure 3: National and EPZ share of export

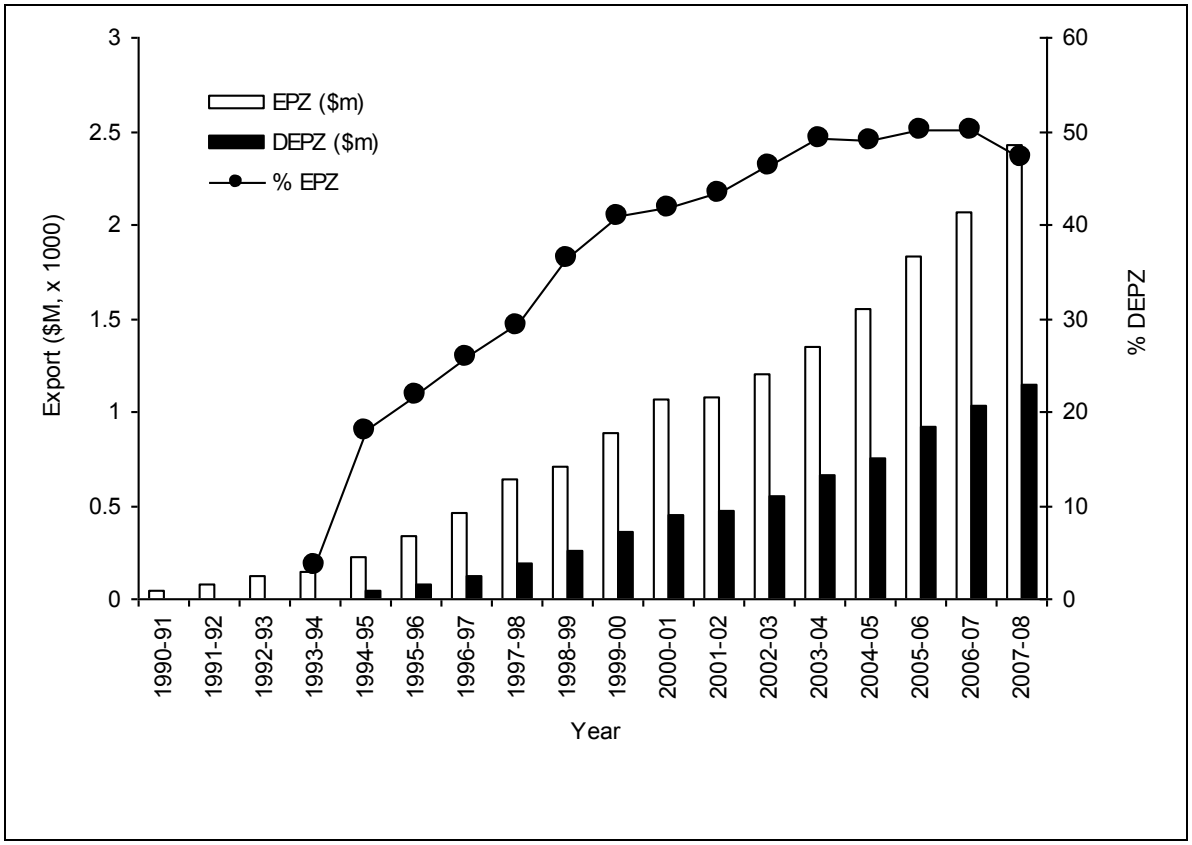
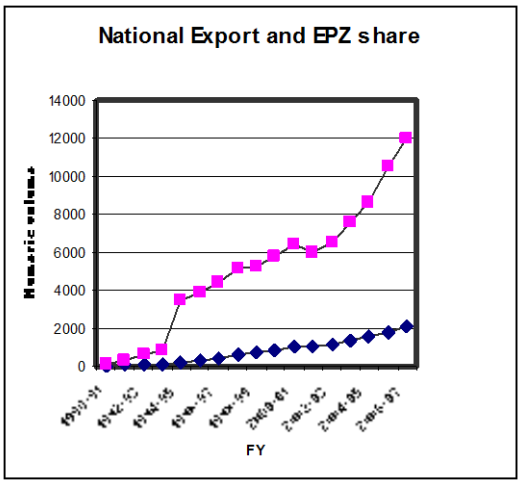


Figure 4: National export and EPZs export figure



Year	EPZ share	National Export
1990-91	47.99	129
1991-92	76.99	297
1992-93	127.05	676
1993-94	145.6	841
1994-95	228.26	3473
1995-96	337.02	3882
1996-97	462.77	4418
1997-98	636.05	5161
1998-99	711.69	5313
1999-00	890.82	5752
2000-01	1067.87	6467
2001-02	1077.03	5986
2002-03	1200.22	6548
2003-04	1353.91	7603
2004-05	1548.68	8655
2005-06	1836.18	10526
2006-07	2063.67	12000
2007-08	2429.58	-

In the graphic figure, series 1 indicates the EPZ share in national export. EPZ share of export up to '95 went steadily. After that that period the contribution of EPZ share in national export went steadily upward up to 2004. From 2005 the volume of contribution gradually increased. On the other, series 2 indicates the national export line. The figure described after '95s the export volume gradually increased up to 2004. From 2004 and onward

the export volume dramatically increased, because of business continual atmosphere. During the fiscal year 2005-2006 the export per cent (%) from EPZ was 17.43% out of total export (100%) from Bangladesh. On the other hand, RMG & Knit export from EPZ share was 20.40%. Bangladesh has been ranked as the sixth largest exporting country in the US and fifth largest in the EU (www.cpd.org) in 2007.

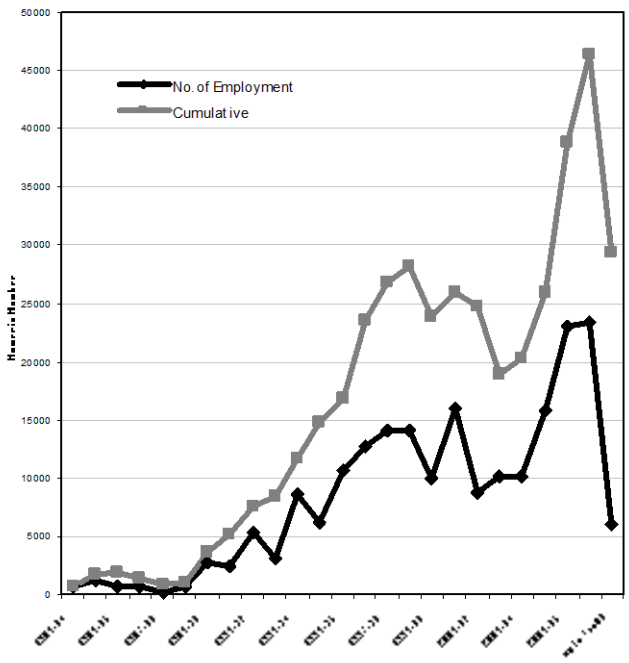
Employment

Since 1983, after establishing the EPZ employment has been increased rapidly. It was 624 at the beginning, increased 11722 in 1994 as a cumulative figure, 29448 in 2007. The trend of employment is increasing day by day. The total scenario is quite satisfactory a grand total among the EPZs about 2,07,257. Among them, 120,389 are in Chittagong EPZ the largest one in respect of employment, investment and export even number of enterprises, the second highest is Dhaka EPZ 75,769 employees up to May/2008, where 97 enterprising are functioning, about 30 enterprises are under implementation. The role of EPZs in generating employment, expanding enterprises, and enlarging the volume of export and investment is tremendous for the economic growth of Bangladesh. The Zones are successful enough to reduce the poverty, and empowered women through employment. Here, BEPZA's role is important and crucial to create opportunity for women; presently 64% of total employments in EPZs are female.

Employment generation opportunity depends upon the nature of enterprises. Certainly, technological advancement like automation is the main threat for employment. Many of the old enterprises are becoming saturated by manpower, so more EPZ and enterprises should be established to accommodate and create more opportunity for employment. BEPZA should come up and play a proactive role for inviting those enterprises which can meet our country demand. The following table has shown the employment scenario of EPZs.

As mentioned above, that among the zones the total employment is 2,07,275 whereas the civilian labor force in active is 9,37,024. Therefore, EPZ share of employment is more than about 22% (BBS, 2006).

Figure 5: EPZ employment



Year	No. of Employment	Cumulative
1983-84	624	624
1984-85	1156	1780
1985-86	732	1888
1986-87	728	1460
1987-88	198	926
1988-89	769	967
1989-90	2794	3563
1990-91	2363	5157
1991-92	5250	7613
1992-93	3114	8364
1993-94	8608	11722
1994-95	6141	14749
1995-96	10706	16847
1996-97	12773	23479
1997-98	14049	26822
1998-99	14069	28118
1999-00	9890	23959
2000-01	16020	25910
2001-02	8764	24784
2002-03	10167	18931
2003-04	10071	20238
2004-05	15802	25873
2005-06	23021	38823
2006-07	23360	46381
up to Jan08	6088	29448

The graph trend shows that up to '90s the employment was low, because of the investment rate was very few in terms of investment projects and the investor were not interested for invest. The main cause of it is unrest political situation, and strike was the normal political activity from the opposite political party. There were ups and downs in employment from 92 to 95. From '95 the employment gradually went up, because of open-door policy for economic development. The performance of employment felt down in 2002 to 2005. But it went up again from 2005 and on ward rapidly.

Up to January, 2008 among the EPZs the employment was about 2, 07,257. BEPZA is playing a vital role in employment generation as well as export. It has been notices that among the employees in EPZs 64% are of female (Bangladesh Economic Review, 2008).

Employment ratio: In respect to employment, it has been observed that there is good sign that female workers are increasing. Currently, 1, 32,644 (64%) female and 74,613 (36%) male workers are working in Export Processing Zones. Geographically, the industry is not equally distributed, and Bangladesh has also some back ward places, where there is any employment scope except agriculture. Moreover, people are striving from poverty. In other words, situation of women are shifting from their traditional activities. EPZs are engaging them in industries as active labor force.

EXCLUSIVE PERFORMANCE OF DEPZ

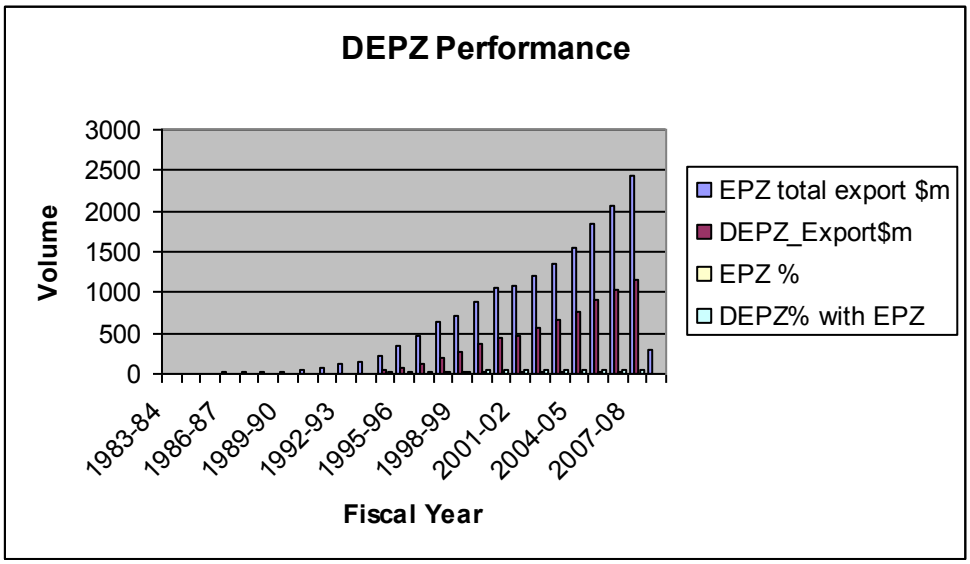
Export Performance in DEPZ

Export trend shows the rapid growth of DEPZ, and also indicate economic growth participation during FY 1995-96 to 2007-08. Table 5 shows that the growth is gradually increasing with out interrupting. DEPZ percentage of total export within EPZs was almost 50% since FY 2003-04 to 2007-08.

Table 5: Dhaka EPZ Export Performance

F_Year	EPZ total export $m	DEPZ _Export $m	DEPZ% with EPZ
1993-94	145.6	5.25	3.61
1994-95	228.26	41.28	18.08
1995-96	337.02	73.22	21.73
1996-97	462.77	119.45	25.81
1997-98	636.05	185.64	29.19
1998-99	711.69	259.57	36.47
1999-00	890.82	364.73	40.94
2000-01	1067.87	447.51	41.91
2001-02	1077.03	466.76	43.34
2002-03	1200.22	554.79	46.22
2003-04	1353.91	667.6	49.31
2004-05	1548.68	757.73	48.93
2005-06	1836.18	918.3	50.01
2006-07	2063.67	1033	50.06
2007-08	2429.58	1146.5	47.19
2008-09 July, 08)	295.16		

Figure 6: Export performance from DEPZ



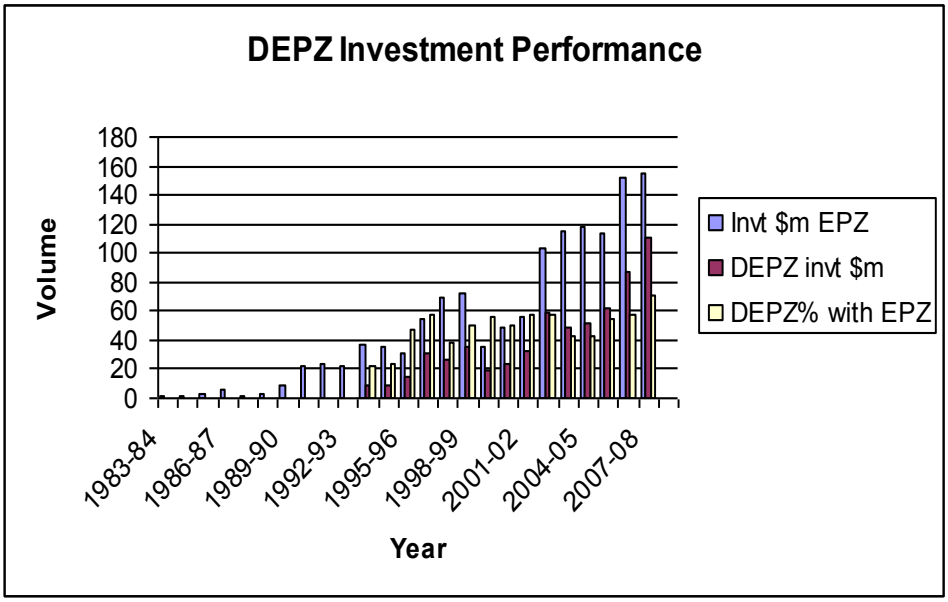
Investment Performance in DEPZ

The following Table and bar chart shows the investment performance of DEPZ. After establishment of DEPZ, it has a significant trend of investment.

Table 6: Dhaka EPZ Investment Performance

F_Year	Invt $m EPZ	DEPZ invt $m	DEPZ% with EPZ
1993-94	37.41	8.22	21.97
1994-95	35.93	8.27	23.02
1995-96	30.58	14.46	47.29
1996-97	53.9	31.01	57.53
1997-98	68.83	26.24	38.12
1998-99	71.61	35.5	49.57
1999-00	34.98	19.8	56.60
2000-01	48.41	24.06	49.70
2001-02	55.61	32.01	57.56
2002-03	102.63	59.14	57.62
2003-04	115.04	49.36	42.91
2004-05	118.52	51.35	43.33
2005-06	112.89	61.57	54.54
2006-07	152.37	87.46	57.40
2007-08	154.34	110.34	71.49
2008-09 July, 08)	0		

Figure 6: Investment performance from DEPZ

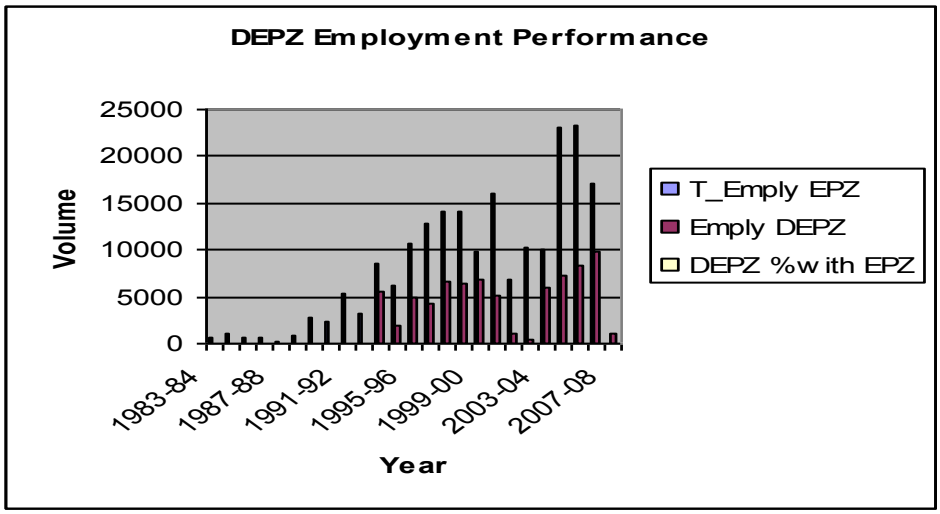


Investment Table and figure shows that yearly investment in DEPZ is positively increased. From the very beginning of DEPZ functioning DEPZ performance in investment is excellent, without interrupting the trend is significantly high.

Employment Performance in DEPZ

The growth of DEPZ enterprises has a direct impact on employment generation opportunities. This growth creates employment opportunities for all levels like as managerial, supervisory, technical and floor level. The employment trend of DEPZ indicates the pace growth of total economic growth. From the FY 1993-94 started to recruitment and the volume of recruitment number was 5,522. The growth of employment in DEPZ was steadily gone up to FY 2000-2001. The growth was significantly higher in FY 2005-2007. Employment growth in DEPZ was remarkable worst in FY 2001-02 and 2002-03.

Figure 7: Employment performance from DEPZ



Regression Result: Regression analysis result has been used to measure the prediction of the variables of total employment, total export and total investment in DEPZ for economic growth in terms of employment, export and investment. The correlation of coefficient is (+.780). The R-square adjusted is explained 50.1% of total variance for the economic growth.

Table 7: Regression result on DEPZ performance (Export, Investment and Employment)/ Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.780(a)	.608	.501	.535	5.68	.013(a)

a Predictors: (Constant), Emply DEPZ, DEPZ_Export$m, DEPZ invt $m
b Dependent Variable: GDP growth rate
c. Level of Significant .05

Table 8: Coefficient (impact for economic growth)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.117	.772		4.040	.002
	DEPZ investment $m	.009	.016	.166	.585	.570
	DEPZ_Export $m	.038	.014	.701	2.648	.023
	Employment DEPZ	.011	.008	.311	1.478	.167

a. Dependent Variable: GDP growth rate

Coefficient Table shows that DEPZ performance is significant with employment and export, and investment. Among there indicators for economic acceleration, export has positive effect on DEPZ performance. Export itself explained 70.1% of total variance and 31.1% explained of total variance on employment. Investment is explained 16.6% of total variance on DEPZ. Therefore, all are effecting for economic growth, but not are significant accept export share.

CONCLUSION

The study results are given in Tables and figures of investment, export, and employment. All the tables are described with time series data. Thus the time series data table considered the trend of investment, export and employment national as well contribution of EPZ with respect to economic growth. The model summary (Table 7) has stated that DEPZ predictors are high relation with GDP growth as well economic growth, where the adjusted R-square explained 50.1 % of total variance at 5% level of significance. The regression Table (8) shows that DEPZ has significant with export, and it has impact on employment and investment. Where, export contribution is explained 70.1% of total variance ($p<.05$).

As an economic enclave acceleration of EPZ contribution to GDP in terms of employment, export and investment are significantly positive by measuring EPZ per cent of those factors. As we have seen in employment data table and graph, it reveals that 22% sharing in employment as a national contribution. Only EPZs have the lion contribution 22% in employment generation all over the country. And women participation is 64% where men were 36%. Apart from this, in the light of export performance, EPZ contribution is gradually increased and the EPZ share more than 17% of total export during FY 2006-2007.

Bangladesh is prevailing free market economy, and created an environment for investment for local as well foreign. Through EPZ contribution in investment is tremendous and it has 4.82% share of total investment as registered in Board of Investment (BOI). From the very beginning of establishment of Export Processing Zone, the rate of investment from EPZ is increasing day by day. In the fiscal year 2005-2006 the volume of investment was 112.83 million US$, 152.34 million was 2006-2007 and 154.34 million US$ in 2007-2008.

However, DEPZ has also contributed much in the Bangladesh economy with respect to employment generation opportunities, exporting goods and services and investment volume as well for the economic growth of the country.

4 RECOMMENDATION

The recommendations are based on in-depth interview findings.

a) *Reviewing BEPZA act*: As the Authority Act, was enacted in 1980 and modified on Decmber, 1994. Therefore, for the congenial atmosphere in all corner the Act to be reviewed every after five years. Needful section and Para to be adding or dropping for the betterment of investors, employers and as well for workers.

b) *BEPZA management structure*: The high level of Board of Governors body which has defined function that body formulated policies for BEPZA and EPZs. Even though BEPZA has also an Executive Board headed by Executive Chairman of BEPZA with having other three members are appointed by government. Moreover, every Zone also have Administrative unit headed by General Manager. To some extent, those are bureaucratic organ. Institutional performance is determined by quality and capacity of bureaucracy (Eusuf, 2007; Evans and Rauch, 1999). For the smooth performance of decision making, best dynamic practices of management does not required bureaucracy for running BEPZA effectively.

c) *Political stability:* Continuing and sustainable performance of EPZ is must required for political stability. Nevertheless, political willingness never be reluctant or differ with predecessor done as before or past.

d) *Simplification procedure*: Though BEPZA has open 'one window service', but in reality investors are waiting long period for getting decision, as the structure is itself bureaucratic. Therefore, procedure and other administrative support service to enhanced and efficient, moreover some authority should be delegated for more rapidly action.

e) *Cooperation and coordination among the stakeholder agencies*: Success of economic performance and success of employment is the integrated approach. some of government organization like as Joint Stock Company, The Customs Authority, Directorate of Environment, Rural Electrification Board, Power Development Board, WASA, Titas Gas Company, Chittagong Port Authority, Mongla Port Authority, The Land Port Authority, Local Law and Order Agencies etc are linked up with performance of EPZ. All those agencies along with BEPZA will enhance the capacity and conducive atmosphere for investment friendly.

f) *Capacity building for the stakeholders through training and counseling*: Especially for workers, supervisor and some technical level jobs are indeed for under go education and training. This kind of facility is inadequate, almost absent, need to be enhanced. A vocational school and training institution need to be established for building the capacity of EPZ workers. In action to implement one stop/window service, concern officers need to build up their capacity enough to provide and deliver those facilities to the incumbent.

g) 4.1.7 *Social compliance*: It has been noticed during the survey period (January-July,08) and surveying questionnaire for worker level (Quality of Work Life Like) that workers social complains are not being address among the factories. Though, by the Aid of World Bank the counselor are engaged to look after the mater. Their vigilance and supervision must be regular. Simultaneously, Industrial Relations Department of BEPZA must be monitoring this issue continuously.

h) 4.1.8 *Technology transfer*: Technology transfer in local enterprises is low then foreign and joint venture enterprises (Ullah, 2007). There is some expatriate workers in their local factories; they are efficient enough in latest technology (Borua, 2008). Even though, the contribution of technology transfer of foreign EPZ firms is still low (Ullah, 2007). But local workers are not adequately familiar with technological training. Though from the very beginning of establishment, EPZs have been using modern technology, one observation is found in DEPZ survey that overseas training is very few in number. We did questionnaire survey in DEPZ with 216 managerial level officers, among them, only 13.9% having foreign training.

i) 4.1.9 *Labor management relationship*: EPZ Worker Association and Industrial Relations Act, 2004,

j) Future Research/Managerial Implication: In Bangladesh, EPZ is the gateway for foreign direct investment, and employment generation booth. Country like Bangladesh, where the poverty is main threats to development needs improvement of EPZ performance through a better understanding of its strategy. Thus required to minimize the gap of trade policy, industrial policy and EPZ policy and have to be integrated approach for the growth of export, investment and employment generation.

The EPZ needs to be seen as approach implementation export promotion, industrial policy, and growth centre. Here, host government takes strategy to development of EPZs under the same umbrella on the whole national

industrial policy. Of course zones should bring labor-intensive manufacturing activities to absorb surplus labor and zone should moves toward the technological intensive industries. For this and to cope up with technological industrial process, government should come forward and provide the support for training of the work force for technology transfer.

As a policy for tax holiday for 10 years, after the period, the investors would have demoralized to run his enterprise. To turnover from the closer of enterprises, government should take appropriate strategy to continuing their enterprises at profit level, so that Bangladesh economic condition won't be disrupted. For the sack of Bangladesh economy, especially employment and FDI, political stability and its commitment is to given special and highest level of consideration without any disruption. In this regard, roads and port to be open and function without any delayed. Moreover, energy sector in Bangladesh is now in alarming situation, adequate energy facility should be given priority for functioning well. In addition to that, physical infrastructure like; building, warehousing, telecommunication, police station, fire station should be adequately available for the zones.

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